

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

**PUBLIC REPORTS OF AUDITOR GENERAL
INVESTIGATIONS COMPLETED BETWEEN
JULY 1, 1987 AND DECEMBER 31, 1987**

REPORT BY THE
OFFICE OF THE AUDITOR GENERAL

I-810

PUBLIC REPORTS OF AUDITOR GENERAL INVESTIGATIONS
COMPLETED BETWEEN JULY 1, 1987 AND DECEMBER 31, 1987

FEBRUARY 1988



Telephone:
(916) 445-0255

STATE OF CALIFORNIA
Office of the Auditor General

660 J STREET, SUITE 300
SACRAMENTO, CA 95814

Thomas W. Hayes
Auditor General

February 24, 1988

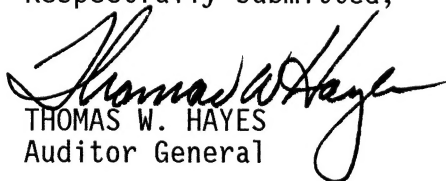
I-810

Honorable Bruce Bronzan, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 448
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report summarizing investigations of improper governmental activities ranging from conflicts of interest to abuse of state resources.

Respectfully submitted,


THOMAS W. HAYES
Auditor General

Attachment

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	i
REPORTS OF INVESTIGATIONS	1
INDEX	15

INTRODUCTION

In 1979, the California Legislature passed the Reporting of Improper Governmental Activities Act. On January 1, 1980, the Office of the Auditor General established a statewide, toll-free telephone hotline to allow state employees and the general public to report improper governmental activities. Allegations made through the hotline are investigated, and, if they are substantiated, appropriate disciplinary action is taken against the wrongdoers.

This report summarizes 11 investigations that were completed between July 1, 1987, and December 31, 1987. Five investigations involved the misuse of state resources and 3 concerned time and attendance abuse. Three others involved improper contracting procedures, false travel claims, and the misuse of a state vehicle. These 11 investigations resulted in one resignation and one retirement from state service, one reduction in salary, and seven formal reprimands. In 3 cases, state employees repaid misappropriated funds, and in 2 cases, controls designed to prevent improper governmental activities were strengthened.

For example, an official of the Department of Veterans Affairs elected to resign from state service rather than face dismissal proceedings after we received an allegation that the official gave preferential treatment to a construction company when awarding contracts for the renovation of repossessed properties. In another instance, an official of the State Department of Education elected to retire from state service rather than accept demotion after we determined that the official frequents a local

bar during working hours. In another case, the Office of Statewide Health Planning and Development (OSHPD) reduced an official's salary and reprimanded his superior after we received an allegation that student assistants had received duplicate payments for work that they had performed on projects funded by the OSHPD. Finally, the State recovered nearly \$800 after we received an allegation that the manager of a district agricultural association improperly claimed reimbursement for meals that he contended were business related.

While the investigations of the Office of the Auditor General protect the interests of the State and its citizens, they may also serve as a deterrent to those few state employees who would take advantage of the trust placed in them by their employers and who, as a result, would cast discredit on the many thousands of state employees who conscientiously serve the public. As a result of the investigations of complaints received over the hotline, guilty state employees have been fired or reprimanded, misappropriated state funds have been recovered, and systems to help prevent improper governmental activities from recurring have been strengthened.

State law requires that the identity of people reporting improper governmental activities to the Office of the Auditor General remain confidential. State employees are also protected from harassment or retaliation in the workplace for reporting information to the Office of the Auditor General. Anyone having information regarding any improper state governmental activity is encouraged to call the Auditor General's Hotline at 1-800-952-5665.

THE AUDITOR GENERAL'S
REPORT OF INVESTIGATION A-6024

ALLEGATION

An official of the Department of Veterans Affairs gave preferential treatment to a construction company when awarding contracts for the renovation of repossessed properties.

RESULTS OF INVESTIGATION

The secretary of the State and Consumer Services Agency completed the investigation on our behalf and substantiated the allegation. The secretary determined that the official gave preferential treatment to a construction company from 1984 to 1987. During that period, the official awarded contracts totalling over \$404,000 on at least 58 different properties to the same company without obtaining competitive bids. This represented 90 percent of the repair and renovation contracts for properties that the department repossessed in the official's district. In addition, the secretary determined that the official accepted airplane rides and meals from a representative of the favored company and vacationed with the representative while doing business with the representative's company. The representative also paid to have the official's automobile repaired and repainted.

The investigation revealed that, in August 1986, the department directed the official to obtain two competitive bids on all repair and restoration work exceeding \$2,500. However, the official ignored the directive and continued to award contracts to the same construction company without obtaining competitive bids. In at least seven cases, he awarded contracts exceeding \$2,500 to the favored company without obtaining competitive bids. In at least three other cases, he accepted multiple bids from the company, which had been prepared on the same day, that totaled over \$2,500.

To circumvent the department's directive, the official obtained bids from two other construction companies. One of the companies, located over 200 miles away from the official's headquarters, submitted bids without specific information concerning the scope of the work required and without examining the property. This company overbid on 12 of 13 projects and has never performed any work for the department. The other company submitted at least eight unsuccessful bids. Both of the companies frequently subcontracted with the favored company.

The official refused to consider local construction companies that expressed interest in submitting bids. Although other companies had submitted lower bids, he awarded at least three contracts to the favored company. In another case, two other companies had submitted bids; however, the official awarded the contract to the favored company without requiring it to submit a bid.

The official permitted the favored company to control many properties. Departmental employees could not enter properties owned by the department without obtaining the keys from the favored company. In addition, the official allowed the company to deal directly with insurance adjusters to negotiate what the department should claim for insurance repair. He also allowed the company to take pictures of the damage resulting from vandalism and to estimate the cost of repair. The company would then complete the repair work and submit claims to the insurance company.

Finally, the official did not ensure that repossessed properties were repaired and available for prompt sale. For example, the official did not take appropriate action when the favored company's work was inadequate and when the company billed the department for work that the company had not completed. In addition, the company did not complete some of the repairs for several months after the official had awarded it the contract. Also, in some cases, the official had requested bids from the favored company and one of its subcontractors without receiving a response for over five months, yet he did not act to ensure the prompt repair of the repossessed properties.

Conclusion

An official of the Department of Veterans Affairs gave preferential treatment to a construction company when awarding contracts for the repair and renovation of repossessed properties. Moreover, the official engaged in a conflict of interest by failing to disqualify himself after accepting gifts and favors from the company's representative.

AGENCY RESPONSE

The department took action to dismiss the official from state service. The official requested that the department allow him to resign "with fault," and the department granted his request. In order to prevent future violations in the awarding of renovation contracts, the department has reissued its policy on contracting for renovation work. The department is increasing its supervision and review of compliance to ensure that the department adheres to proper contracting procedures in the repair and renovation of repossessed properties.

THE AUDITOR GENERAL'S
REPORT OF INVESTIGATION I-6005

ALLEGATION

An official of the State Department of Education frequently takes extended breaks at a local bar and fails to charge formal leave to compensate for his absences.

RESULTS OF INVESTIGATION

We substantiated the allegation. Based on our observations and the observations of other departmental employees, we concluded that the official frequents a local bar during working hours and does not charge formal leave to compensate for his absences. He claims that he compensates for his absences by working late and by taking work home and that he conducts departmental business at the bar. However, in response to our inquiry concerning the appropriateness of this behavior, the department's general counsel stated that, although the department does not have a written policy that prohibits its employees from spending time in a local bar during the department's normal business hours, the department does not condone such a practice and does not believe that specific written policy is necessary.

We received a complaint that the official frequently went to the the local bar. On March 20, 1987, we went to the local bar at 4:00 p.m. We observed the official arrive at 4:15 p.m. and go directly to the bar. On April 2, April 3, and April 9, 1987, we went to the same bar and observed the official at 4:10 p.m., 4:00 p.m., and 3:35 p.m., respectively.

On all but one occasion, we continued our surveillance until 5:00 p.m. On April 2, 1987, we discontinued our surveillance at 4:45 p.m., while the official remained seated at the bar. We reviewed the official's time and attendance reports for the dates that we observed him in the local bar and determined that he did not charge any leave time to compensate for his absences on those days.

We interviewed other employees of the department to determine if they were aware of the official's activities. Seven individuals stated that the official takes frequent and extended breaks away from the office. Six of the witnesses stated that it was general knowledge throughout the department that the official frequents a local bar during the department's normal working hours. Four of the witnesses have observed him at the local bar during these hours, and one witness contacted him over the telephone at the local bar.

We interviewed the official, and he admitted that, during the afternoon, he took extended breaks in the local bar. He claimed that he compensated for these afternoon breaks by not taking morning breaks and by working late or working at home. He also claimed that he met with other employees of the department at the local bar to conduct departmental business. He reported that, on one occasion, his supervisor advised him to be careful after the supervisor had heard an employee remark that the official was at the local bar.

We interviewed the official's supervisor to determine whether he was aware of the official's activities and to determine whether extended breaks in a local bar are appropriate for department officials. He stated that he had twice questioned the official after hearing others refer to the official's drinking during the department's working hours. The supervisor also stated that it was against both his policy and the department's policy for an individual to take breaks in a bar or to drink during working hours. In addition, the supervisor provided the official with a copy of a memorandum, dated August 1, 1986, indicating that professional staff are expected to complete assignments using whatever time necessary in accordance with the department's personnel policies. The memorandum also states that overtime must be approved in advance.

Finally, we reviewed the department's policy regarding the work standards applicable to the official. The department has established work areas and normal working hours (8:00 a.m. to 5:00 p.m.) for its employees. The department expects that its employees will generally perform their work within these parameters. At a minimum, the official is required to work an average of 40 hours per week. His regular rate of pay is considered full compensation for all time that is required for him to perform the duties of his position. The official may receive compensating time off for special assignments that require time beyond 40 hours per week or for work assigned during weekends; however, the official is not entitled to compensating time off for his normal work assignments that result in his working more than 40 hours per week. Under most circumstances, the official is not entitled to compensating time off for work done at home, for voluntary attendance at conferences, seminars, or workshops, or for participation in social events. Moreover, according to departmental policy, any use of compensating time off must be authorized, in advance, by the official's supervisor.

Conclusion

An official of the State Department of Education, violates departmental policy by taking extended breaks at a local bar and by failing to charge formal leave to compensate for his absences. We observed the official taking extended afternoon breaks at a local bar on four occasions; three of the observations occurred over a period of six working days. In addition, eight departmental employees have provided statements that corroborate the allegation.

AGENCY RESPONSE

The State Department of Education considered the official's behavior to be in violation of the department's policies for breaks and compensating time off. The department also stated that the official engaged in other behavior not condoned by the department. The department was prepared to take adverse action against the official in the form of a demotion; however, the official elected to retire from state service instead.

THE AUDITOR GENERAL'S
REPORT OF INVESTIGATION P-1113

ALLEGATION

Student assistants received duplicate payments for work they performed on projects funded by the Office of Statewide Health Planning and Development (OSHDP).

RESULTS OF INVESTIGATION

As a result of our inquiry, the OSHPD conducted an investigation and found that an official of the OSHPD may have approved duplicate payments of as much as \$18,000 to compensate nine student assistants for unauthorized overtime payments and unapproved salary increases.

The OSHPD contracted with the California State University system (university) to hire the nine students as student assistants to help with various studies. The OSHPD also hired the students as temporary employees. Since the OSHPD provided no funding to pay overtime to temporary employees and office policy prohibits paying overtime to student employees, these students were not authorized to receive overtime pay.

The students were paid for the same hours both as temporary employees of OSHPD and as student assistants under the contract with the university. Duplicate payments were possible because different people handled the timekeeping and payroll functions for OSHPD and the university contract.

The OSHPD official admitted that he used the university contract to compensate the students for overtime. He said that he felt this was appropriate under the university contract; however, he did not have the approval to do so. In addition, he claimed that he did not know that the students were also receiving full-time pay from the OSHPD.

Conclusion

An official of the Office of Statewide Health Planning and Development approved unauthorized overtime payments and unapproved salary increases for student employees.

AGENCY RESPONSE

The official received a salary reduction of \$177 per month for six months and a formal reprimand was issued to the official's superior. The OSHPD will not seek reimbursement of unearned state funds from the student employees because of legal considerations.

THE AUDITOR'S GENERAL
REPORT OF INVESTIGATION A-6026

ALLEGATION

The manager of a district agricultural association improperly claims reimbursement for meals that he claims are business related.

RESULTS OF INVESTIGATION

We substantiated the allegation. We performed a limited examination of the travel claims that the manager submitted and concluded that the manager improperly claimed over \$500 for meals that he said were business related.

We forwarded the results of our preliminary investigation to the director of the Department of Food and Agriculture for further investigation and corrective action. The director examined the expense claims that the manager submitted and concluded that the manager had improperly claimed \$794.07. In one instance, the manager claimed a \$162.48 reimbursement for taking another state employee and her husband out to dinner. In another case, the manager claimed a \$100.01 reimbursement for meals that he had purchased for his staff.

Conclusion

A manager of a district agricultural association violated state regulations when he improperly claimed nearly \$800 in reimbursement for meals that he claimed were business related.

AGENCY RESPONSE

The manager reimbursed the district association \$712.83. The state employee reimbursed the district association \$81.24 for the dinner expense that the manager had improperly claimed for her and her husband.

THE AUDITOR GENERAL'S
REPORT OF INVESTIGATION A-6031

ALLEGATION

A professor at California State University, Long Beach, uses university stationery and postage to solicit sales of publications that she has written.

RESULTS OF INVESTIGATION

The chancellor of the California State University conducted an investigation on our behalf and substantiated the allegation. The professor admitted using university stationery, envelopes, and postage to mail 600 promotions of her publications. The investigative report states that the professor's actions stemmed from ignorance rather than from a deliberate and concerted attempt to defraud the institution or misuse university resources.

Conclusion

A professor at California State University, Long Beach, used university resources for personal purposes.

AGENCY RESPONSE

The professor reimbursed the university \$144 for the use of university stationery, envelopes, and postage. The professor also received a formal reprimand for her actions. In addition, a forthcoming revision of the university's faculty handbook will include an explanation of the proper and improper uses of university resources.

THE AUDITOR GENERAL'S
REPORT OF INVESTIGATION C-6002

ALLEGATION

An employee of the Department of Corrections was observed driving a state vehicle south on Interstate Highway 5 with a go-kart on the vehicle's luggage rack.

RESULTS OF INVESTIGATION

The department conducted the investigation on our behalf and substantiated the allegation. The employee admitted that he used the state vehicle for personal business. According to the investigative report, the employee is an avid racing enthusiast, and he used the state vehicle to transport his go-kart to a racing event. The employee reportedly used the state vehicle for personal business because he had no other means of transportation.

Conclusion

An employee of the Department of Corrections misused a state vehicle.

AGENCY RESPONSE

The employee received a letter of instruction on the proper use of a state vehicle.

THE AUDITOR GENERAL'S
REPORT OF INVESTIGATION A-7011

ALLEGATION

An employee of the Correctional Training Facility, Soledad, improperly charged his absence from work to educational leave during the period May 22 through June 17, 1987.

RESULTS OF INVESTIGATION

The secretary of the Youth and Adult Correctional Agency conducted the investigation on our behalf and found that the employee had inappropriately used 11.5 hours of educational leave. Under a labor bargaining agreement, the employee had educational leave approved to attend classes during the spring semester at San Jose State University. Provisions of the agreement permit an employee to charge educational leave for absences only while the employee attends classes. The employee's classes ended on May 27, 1987, yet the employee continued to take educational leave to complete past due class assignments. He believed that his conduct was justified because the period authorized for his educational leave had not expired.

Conclusion

An employee of the Correctional Training Facility, Soledad, used educational leave to complete past due class assignments instead of doing the work on his own time.

AGENCY RESPONSE

The employee will reimburse the State for the educational leave by using 11.5 hours of compensating time off. The employee also received a letter of counseling, which his supervisor will retain until the employee's next annual evaluation.

THE AUDITOR GENERAL'S
REPORT OF INVESTIGATION P-7033

ALLEGATION

A supervisor at the Correctional Training Facility, Soledad, directed an inmate who works in the facility's paint shop to paint portraits for the supervisor's personal use.

RESULTS OF INVESTIGATION

The allegation requires no further review. As a result of our inquiry, the facility's superintendent investigated and substantiated the allegation. Security officers inspected the facility's paint shop and found paintings of a correctional officer and of the supervisor's daughter. The inmate told the officers that he painted the portraits from photographs provided by the supervisor. Although the inmate painted the portraits while the State employed him as a maintenance painter, the inmate said that his supervisor authorized him to paint pictures for facility staff whenever he had no official duties to perform.

The supervisor admitted that he gave the photographs to the inmate and told him to paint the portraits. The supervisor claimed that he did not pay the inmate for the paintings.

Conclusion

The supervisor directed an inmate to paint portraits at state expense for the supervisor's personal use.

AGENCY RESPONSE

The security officers confiscated the paintings, and the superintendent issued the supervisor a formal letter of reprimand.

THE AUDITOR GENERAL'S
REPORT OF INVESTIGATION P-7034

ALLEGATION

A supervisor at the Department of Transportation misappropriated state property. He also directed subordinates to use a state truck to transport the property to his personal residence on state time.

RESULTS OF INVESTIGATION

We substantiated the allegation. The department had declared 12 wooden sign posts surplus property and had replaced them with steel posts. The supervisor instructed two subordinates to load the wooden sign posts into their state truck and take the posts to the supervisor's headquarters. Subsequently, the truck was needed at another work location, and the supervisor directed the subordinates to take the posts to his personal residence, which was three miles off the route to the other job site.

As a result of our inquiry, the department contacted the supervisor, and he admitted that he had instructed the subordinates to take the sign posts to his house instead of hauling them to the dump. He further admitted that his action constituted an inappropriate use of state time and equipment.

Conclusion

The supervisor used state employees and state equipment for personal purposes when he directed subordinates to deliver surplus property to his personal residence.

AGENCY RESPONSE

The supervisor received a formal letter of reprimand for his misconduct.

THE AUDITOR GENERAL'S
REPORT OF INVESTIGATION A-6034

ALLEGATION

An employee of the Department of Health Services frequently uses her state telephone for personal business.

RESULTS OF INVESTIGATION

The secretary of the Health and Welfare Agency conducted the investigation on our behalf and substantiated the allegation. We obtained a copy of the employee's telephone billing for the month of April 1987 and determined that, during that month, 38 long distance telephone calls were billed against the employee's state telephone. Fifteen of the 38 long distance telephone calls appeared to be of a personal nature. We forwarded this information to the secretary.

The employee's supervisor reviewed the information and determined that the employee used her state telephone to make long distance telephone calls that cost the State a total of \$23.69. The supervisor confronted the employee with his findings, and she did not deny that the calls were of a personal nature.

Conclusion

An employee of the Department of Health Services used her state telephone to make personal, long distance telephone calls.

AGENCY RESPONSE

The employee reimbursed the State \$23.69 for the personal, long distance telephone calls and received a letter of reprimand for her misconduct. The department will review additional monthly telephone listings to determine whether the employee has charged more personal, long distance telephone calls to the State.

THE AUDITOR GENERAL'S
REPORT OF INVESTIGATION P-1130

ALLEGATION

An employee of the Department of General Services parks his private vehicle free of charge in a state parking lot by using an access card that is assigned to a state-owned vehicle.

RESULTS OF INVESTIGATION

As a result of our inquiry, the Department of General Services conducted an investigation and found that an employee had parked his vehicle in the state lot free of charge during a period of two weeks. The employee had gained entrance to the lot through the unauthorized use of a state card that was assigned to a maintenance cart.

Conclusion

An employee of the Department of General Services misused state resources.

AGENCY RESPONSE

The department has voided the access card that was assigned to the maintenance cart and will install closed circuit television cameras to monitor the license plates of vehicles that enter and exit the parking lot. The department took no action against the employee because he left state service.

INDEX

AGENCY	CASE NUMBER	ALLEGATION	PAGE
California State University, Long Beach	A-6031	Misuse of State Resources	8
Correctional Training Facility, Soledad	A-7011	Time and Attendance Abuse	10
Correctional Training Facility, Soledad	P-7033	Misuse of State Resources	11
Corrections, Department of	C-6002	Misuse of State Vehicle	9
Education, State Department of	I-6005	Time and Attendance Abuse	3
Food and Agriculture, Department of	A-6026	Improper Claim for Meal Reimbursement	7
General Services, Department of	P-1130	Abuse of State Resources	14
Health Planning and Development, Office of Statewide	P-1113	Duplicate Pay for Student Assistants	6
Health Services, Department of	A-6034	Misuse of State Telephones	13
Transportation, Department of	P-7034	Misappropriation of State Property	12
Veterans Affairs, Department of	A-6024	Improper Contracting Procedures	1

INDEX

AGENCY	CASE NUMBER	ALLEGATION	PAGE
California State University, Long Beach	A-6031	Misuse of State Resources	8
Correctional Training Facility, Soledad	A-7011	Time and Attendance Abuse	10
Correctional Training Facility, Soledad	P-7033	Misuse of State Resources	11
Corrections, Department of	C-6002	Misuse of State Vehicle	9
Education, State Department of	I-6005	Time and Attendance Abuse	3
Food and Agriculture, Department of	A-6026	Improper Claim for Meal Reimbursement	7
General Services, Department of	P-1130	Abuse of State Resources	14
Health Planning and Development, Office of Statewide	P-1113	Duplicate Pay for Student Assistants	6
Health Services, Department of	A-6034	Misuse of State Telephones	13
Transportation, Department of	P-7034	Misappropriation of State Property	12
Veterans Affairs, Department of	A-6024	Improper Contracting Procedures	1

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps